

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF CEDAR SPRINGS	County KENT
Fiscal Year End JUNE 30, 2006	Opinion Date JULY 21, 2006	Date Audit Report Submitted to State DECEMBER 6, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

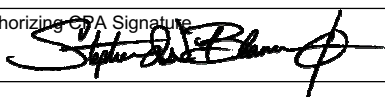
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A		
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 616-975-4100		
Street Address 2330 EAST PARIS AVENUE		City GRAND RAPIDS	State MI	Zip 49546
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM		License Number 24801



***CITY OF CEDAR SPRINGS***  
***CEDAR SPRINGS, MICHIGAN***

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2006***

# CITY OF CEDAR SPRINGS

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## INDEPENDENT AUDITORS' REPORT

July 21, 2006

Honorable Mayor and  
Members of the City Council  
City of Cedar Springs, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cedar Springs, Michigan (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Cedar Springs, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the City of Cedar Springs, Michigan as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2006 on our consideration of the City of Cedar Springs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cedar Springs' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the City of Cedar Springs basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Cedar Springs, we offer readers of the City of Cedar Spring's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- Levied East Muskegon street and West Muskegon street special assessments
- Completed public works construction project
- Awarded \$62,000 FEMA grant
- Awarded \$480,000 East Muskegon and Pine Street reconstruction grant

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Cedar Spring's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Cedar Springs that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, police and fire services, public works including major and local street maintenance and recreation and cultural activities. The business-type activities of the City include sewer and water services.

The government-wide financial statements include not only the City of Cedar Springs itself (known as the *primary government*), but also a legally separate Downtown Development Authority and Local Development Finance Authority for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cedar Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.



**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, and capital projects funds, each of which is considered to be a major fund. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

**Proprietary funds.** The City of Cedar Springs maintains three proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Cedar Springs uses enterprise funds to account for its sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs of its motor vehicle and equipment usage internally among the City's various functions. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operation, of which both are considered to be major funds of the City of Cedar Springs.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 24 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-38 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 39-55 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Cedar Springs, assets exceeded liabilities by \$8,563,298 at the close of the most recent fiscal year.

A portion of the City's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### City of Cedar Springs Net Assets

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$1,883,243	\$1,884,540	\$ 1,141,178	\$ 1,103,918	\$ 3,024,421	\$ 2,988,458
Capital assets	3,172,026	2,666,969	8,850,244	8,982,517	12,022,270	11,649,486
Total assets	5,055,269	4,551,509	9,991,422	10,086,435	15,046,691	14,637,944
Long-term liabilities outstanding	2,266,106	2,214,432	3,881,000	3,957,000	6,147,106	6,171,432
Other liabilities	182,847	179,442	153,440	145,849	336,287	325,291
Total liabilities	2,448,953	2,393,874	4,034,440	4,102,849	6,483,393	6,496,723
Net assets:						
Invested in capital assets, net						
of related debt	842,718	427,209	4,893,244	4,951,517	5,735,962	5,378,726
Restricted	720,994	869,013	-	-	720,994	869,013
Unrestricted	1,058,675	861,413	1,066,018	1,032,069	2,124,693	1,893,482
<b>Total net assets</b>	<b>\$2,622,387</b>	<b>\$2,157,635</b>	<b>\$ 5,959,262</b>	<b>\$ 5,983,586</b>	<b>\$8,581,649</b>	<b>\$ 8,141,221</b>

Net assets of the City increased by \$440,428. The business-type activities decrease in net assets of \$24,324 was primarily due to a transfer of monies to various funds. The governmental activities increase in net assets of \$464,752 is partly the result of increases in the taxable value of property and therefore an increase in property tax revenue and partly the result of substantial investment in capital outlay via capital grants.

### City of Cedar Springs Changes in Net Assets

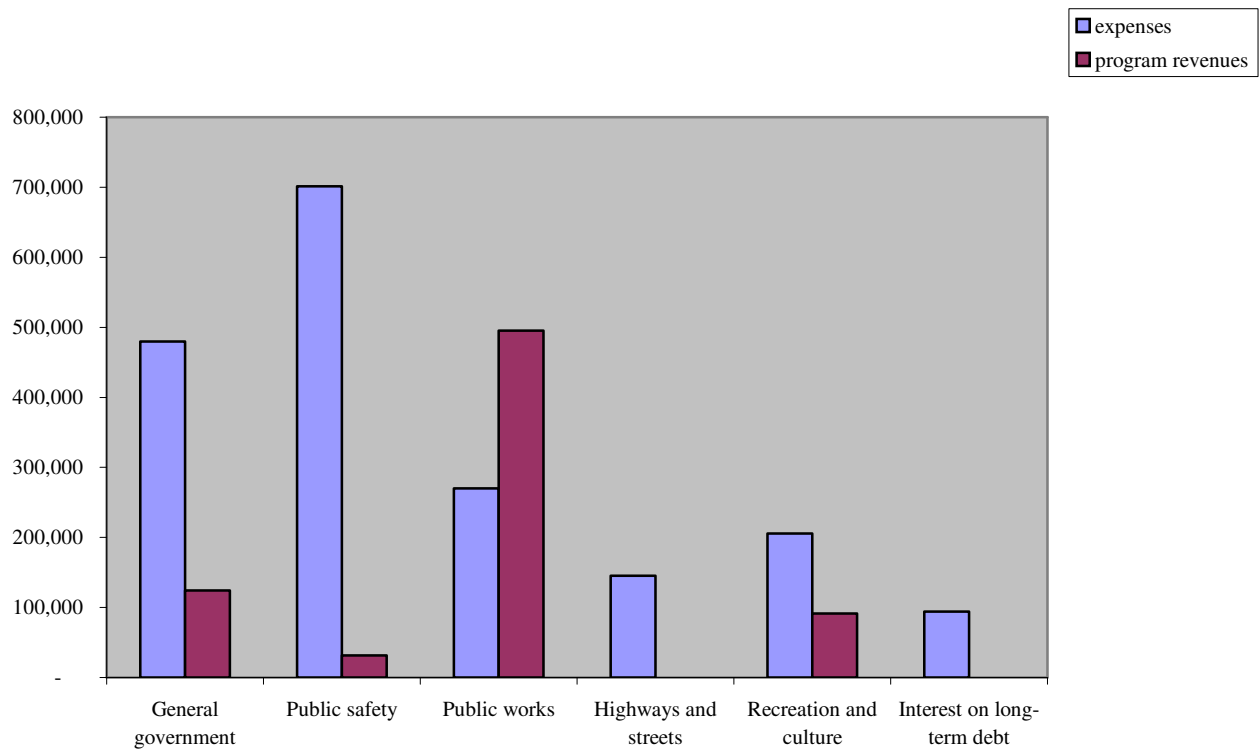
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Revenue:						
Program revenue:						
Charges for services	\$ 458,138	\$ 485,562	\$1,033,557	\$1,046,965	\$1,491,695	\$1,532,527
Operating grants and contributions	58,659	35,820	-	-	58,659	35,820
Capital grants and contributions	226,720	20,797	-	-	226,720	20,797
	743,517	542,179	1,033,557	1,046,965	1,777,074	1,589,144
General revenue:						
Property taxes	1,078,438	1,017,769	-	-	1,078,438	1,017,769
State-shared payments	375,547	369,596	-	-	375,547	369,596
Interest income	97,874	56,706	31,995	14,684	129,869	71,390
Total revenue	2,295,376	1,986,250	1,065,552	1,061,649	3,360,928	3,047,899
Expenses:						
General government	479,762	582,580	-	-	479,762	582,580
Public safety	701,470	607,521	-	-	701,470	607,521
Public works	269,959	292,495	-	-	269,959	292,495
Highway and streets	143,992	146,797	-	-	143,992	146,797
Recreation and cultural	205,626	196,537	-	-	205,626	196,537
Interest on long-term debt	93,910	83,681	-	-	93,910	83,681
Water	-	-	331,333	291,045	331,333	291,045
Sewer	-	-	694,448	663,972	694,448	663,972
Total expenses	1,894,719	1,909,611	1,025,781	955,017	2,920,500	2,864,628
Increase (decrease) in net assets before transfers	400,657	76,639	39,771	106,632	440,428	183,271
Transfers	64,095	181,552	(64,095)	(181,552)	-	-
Increase (decrease) in net assets	464,752	258,191	(24,324)	(74,920)	440,428	183,271
Net assets - beginning of year	2,157,635	1,899,444	5,983,586	6,058,506	8,141,221	7,957,950
<b>Net assets - end of year</b>	<b>\$2,622,387</b>	<b>\$2,157,635</b>	<b>\$5,959,262</b>	<b>\$5,983,586</b>	<b>\$8,581,649</b>	<b>\$8,141,221</b>

#### Governmental activities

During the year, the City continued its emphasis in public safety by investing \$701,470 or 37% of governmental activities expenses. Public works expenditures accounted for 14% of governmental activities expenditures while general government, highway and streets, recreation and cultural, and interest on long-term debt made up the remaining 49% of governmental activities expenditures.

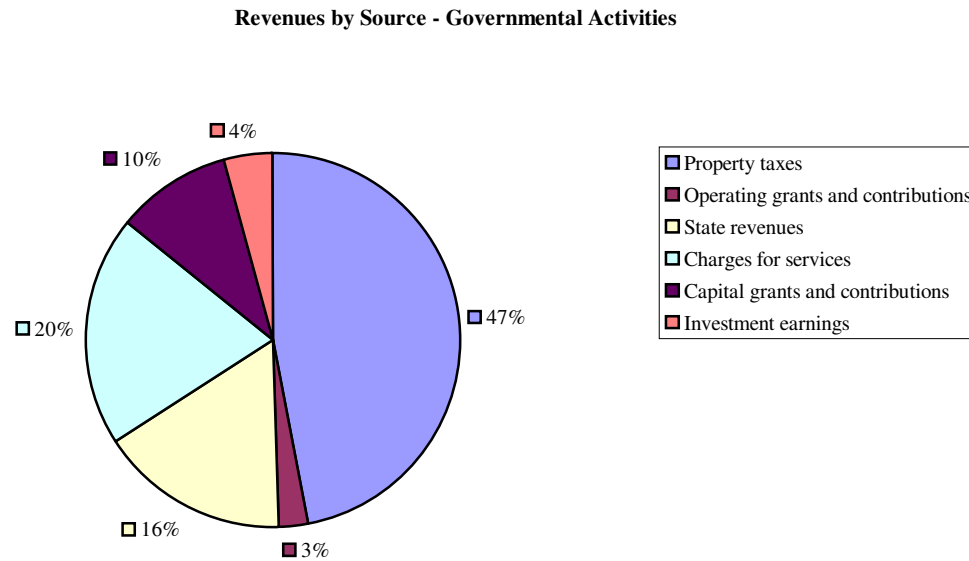
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## Expenses and Program Revenues - Governmental Activities



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## Revenues by Source - Governmental Activities



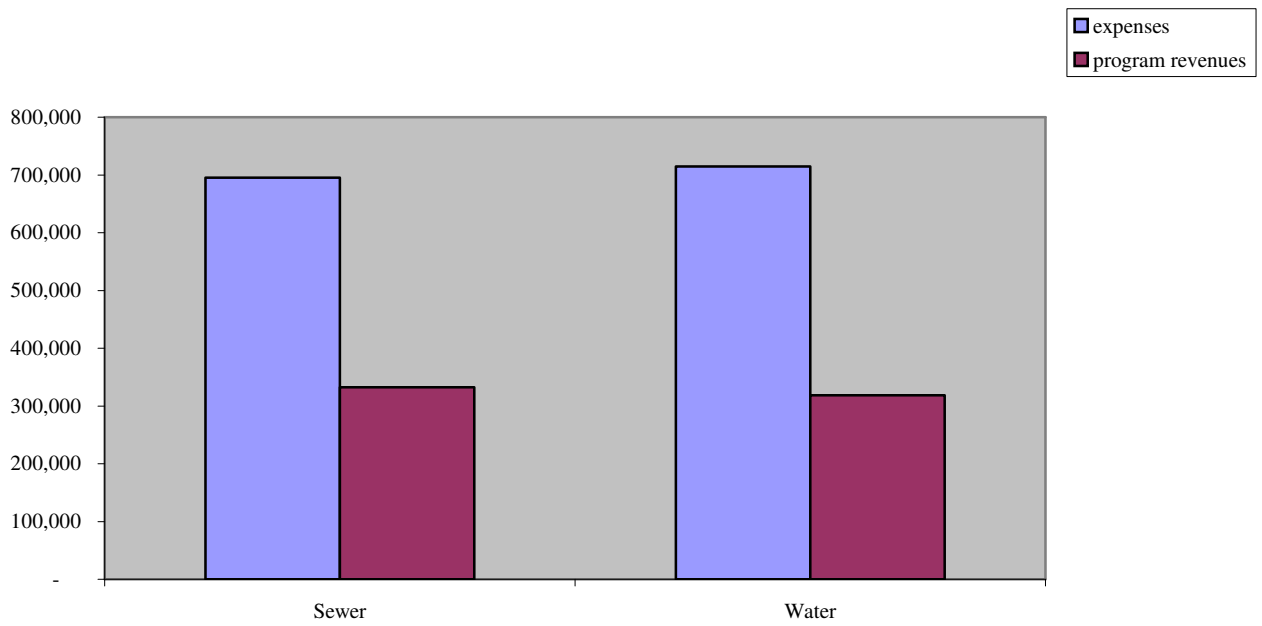
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**Business-type activities.** Business-type activities decreased the City's net assets by \$24,324. By comparison, business-type activities reported a decrease in net assets the previous fiscal year of \$74,920. Key elements of this decrease are as follows:

- Charges for services for business-type activities remained relatively constant compared to the prior year. There was little variance in usage and no increase in rates for the water and sewer system.
  - In the current year, the transfers to other funds totaled \$64,095, which was primarily used to fund capital projects.
-

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## Expenses and Program Revenues - Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,528,740, a decrease of \$42,482 in comparison with the prior year. Approximately 96 percent, or \$1,472,797 of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to specific funds.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$463,011, while total fund balance was \$495,229. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 32 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$3,124 during the current fiscal year.

The capital projects fund increased \$55,566 due to transfers from other funds which exceeded the current capital expenditures.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$558,354 and \$383,694, respectively. The sewer fund had a decrease in net assets for the year of \$11,003, whereas the water fund had a decrease of \$13,321. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences between the original and final amended budgets and between final amended budgets and actual expenditures were relatively minor for the year.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounted to \$12,022,270 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and infrastructure. Capital assets for the City's governmental activities increased 19%. Capital assets in the business-type activities decreased 1% in the current year.

Major capital asset events during the current fiscal year included the following:

- New Police car
- East Muskegon street reconstruction
- Sewer jet

### City of Cedar Springs Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 319,443	\$ 153,614	\$ 587,634	\$ 587,634	\$ 907,077	\$ 741,248
Infrastructure	2,187,267	2,195,712	-	-	2,187,267	2,195,712
Construction in progress	327,825	-	-	-	327,825	-
Buildings and system improvements	75,580	79,981	8,262,610	8,394,883	8,338,190	8,474,864
Vehicles and equipment	261,911	237,662	-	-	261,911	237,662
<b>Total</b>	<b>\$3,172,026</b>	<b>\$2,666,969</b>	<b>\$8,850,244</b>	<b>\$8,982,517</b>	<b>\$12,022,270</b>	<b>\$11,649,486</b>

Additional information on the City of Cedar Springs capital assets can be found in Note 3 on pages 32 and 33 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$6,313,576. Of this amount, \$3,957,000 was debt of business-type activities and \$2,356,576 was debt of governmental activities.

### General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Accrued employee benefits	\$ 27,268	\$ 31,124	\$ -	\$ -	\$ 27,268	\$ 31,124
Notes	149,308	9,760	-	-	149,308	9,760
Bonds	2,180,000	2,230,000	3,957,000	4,031,000	6,137,000	6,261,000
<b>Total</b>	<b>\$2,356,576</b>	<b>\$2,270,884</b>	<b>\$3,957,000</b>	<b>\$4,031,000</b>	<b>\$6,313,576</b>	<b>\$6,301,884</b>



The City's total debt increased by less than 1% during the current fiscal year.

The City is currently not rated for general obligation bond issuance.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$6,781,787, which is considerably in excess of the City's outstanding general obligation debt of \$2,180,000.

Additional information on the City's long-term debt can be found in Note 7 on pages 35-37 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2006-07 fiscal year:

- Increased non-union employee wages cost of 3%.
- Increased health insurance cost of 17%.
- Increased property tax revenue of 14%, the increase primarily relating to the expiration of the DDA capture.
- Decrease of approximately \$3,000 in state revenue sharing programs.
- East Muskegon street construction of \$365,000 and Pine Street construction of \$95,000.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 66 South Main Street, Cedar Springs, Michigan, 49319.

## **BASIC FINANCIAL STATEMENTS**

# CITY OF CEDAR SPRINGS

## STATEMENT OF NET ASSETS

JUNE 30, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Local Development Finance Authority
<b>Assets</b>					
Cash and cash equivalents	\$ 1,684,333	\$ 684,140	\$ 2,368,473	\$ 101,469	\$ 229,601
Accounts receivable	2,893	194,527	197,420	-	-
Special assessments receivable	101,046	-	101,046	-	-
Due from other governmental units	85,411	-	85,411	-	-
Prepaid items	21,012	4,191	25,203	-	-
Capital assets					
Land	319,443	587,634	907,077	35,901	-
Construction in progress	327,825	-	327,825	-	-
Other capital assets - net of depreciation	2,524,758	8,262,610	10,787,368	-	-
Restricted cash and cash equivalents	-	260,000	260,000	-	-
<b>Total assets</b>	<b>5,066,721</b>	<b>9,993,102</b>	<b>15,059,823</b>	<b>137,370</b>	<b>229,601</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	62,807	16,810	79,617	2,518	-
Accrued interest	24,951	60,030	84,981	-	-
Noncurrent liabilities:					
Compensated absences	27,268	-	27,268	-	-
Bonds payable, due within one year	90,470	76,000	166,470	-	-
Bonds payable, due in more than one year	2,238,838	3,881,000	6,119,838	-	-
<b>Total liabilities</b>	<b>2,444,334</b>	<b>4,033,840</b>	<b>6,478,174</b>	<b>2,518</b>	<b>-</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	842,718	4,893,244	5,735,962	35,901	-
Restricted for:					
Major Street	165,381	-	165,381	-	-
Local Street	272,015	-	272,015	-	-
Library	79,887	-	79,887	-	-
Sidewalk	38,286	-	38,286	-	-
Perpetual care					
Nonexpendable	10,000	-	10,000	-	-
Expendable	140,425	-	140,425	-	-
Other purposes	15,000	-	15,000	-	-
Unrestricted	1,058,675	1,066,018	2,124,693	98,951	229,601
<b>Total net assets</b>	<b>\$ 2,622,387</b>	<b>\$ 5,959,262</b>	<b>\$ 8,581,649</b>	<b>\$ 134,852</b>	<b>\$ 229,601</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges For Services</b>	<b>Operating Grants And Contributions</b>	<b>Capital Grants And Contributions</b>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 479,762	\$ 121,055	\$ 3,827	\$ -	\$ (354,880)
Public safety	701,946	29,673	2,000	-	(670,273)
Public works	269,959	282,124	-	213,308	225,473
Highways and streets	143,992	-	-	-	(143,992)
Recreation and culture	205,626	25,286	52,832	13,412	(114,096)
Interest expense	93,910	-	-	-	(93,910)
Total governmental activities	<u>1,894,719</u>	<u>458,138</u>	<u>58,659</u>	<u>226,720</u>	<u>(1,151,202)</u>
Business-type activities:					
Water	331,333	318,781	-	-	(12,552)
Sewer	694,448	714,776	-	-	20,328
Total business-type activities	<u>1,025,781</u>	<u>1,033,557</u>	<u>-</u>	<u>-</u>	<u>7,776</u>
Total primary government	<u>\$ 2,920,500</u>	<u>\$ 1,491,695</u>	<u>\$ 58,659</u>	<u>\$ 226,720</u>	<u>\$ (1,143,426)</u>
<b>Component units:</b>					
Downtown Development Authority	\$ 71,885	\$ -	\$ 93,660	\$ -	\$ 21,775
Local Development Finance Authority	35,296	-	-	-	(35,296)
Total component units	<u>\$ 107,181</u>	<u>\$ -</u>	<u>\$ 93,660</u>	<u>\$ -</u>	<u>\$ (13,521)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**STATEMENT OF ACTIVITIES (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Local Finance Development Authority
<b>Changes in net assets</b>					
Net (expense) revenue	\$ (1,151,202)	\$ 7,776	\$ (1,143,426)	\$ 21,775	\$ (35,296)
General revenues:					
Property taxes	1,078,438	-	1,078,438	121,624	35,296
State revenues	375,547	-	375,547	-	-
Interest earnings	97,874	31,995	129,869	2,963	7,861
Transfers - internal activities	64,095	(64,095)	-	-	-
Total general revenues and transfers	1,615,954	(32,100)	1,583,854	124,587	43,157
Change in net assets	464,752	(24,324)	440,428	146,362	7,861
Net assets (deficit), beginning of year	2,157,635	5,983,586	8,141,221	(11,510)	221,740
<b>Net assets, end of year</b>	<u>\$ 2,622,387</u>	<u>\$ 5,959,262</u>	<u>\$ 8,581,649</u>	<u>\$ 134,852</u>	<u>\$ 229,601</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2006**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 453,943	\$ 229,889	\$ 29,060	\$ 768,229	\$ 1,481,121
Receivables:					
Accounts	2,893	-	-	-	2,893
Special assessments	-	-	44,198	56,848	101,046
Due from other funds	-	-	1,345	-	1,345
Due from other governmental units	66,704	-	-	18,707	85,411
Prepaid items	17,218	-	-	3,216	20,434
<b>Total assets</b>	<u>\$ 540,758</u>	<u>\$ 229,889</u>	<u>\$ 74,603</u>	<u>\$ 847,000</u>	<u>\$ 1,692,250</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 44,184	\$ 14,530	\$ -	\$ 2,405	\$ 61,119
Due to other funds	1,345	-	-	-	1,345
Deferred revenue	-	-	44,198	56,848	101,046
<b>Total liabilities</b>	<u>45,529</u>	<u>14,530</u>	<u>44,198</u>	<u>59,253</u>	<u>163,510</u>
<b>Fund balances</b>					
Fund balance:					
Reserved for prepaid items	17,218	-	-	-	17,218
Reserved for Christmas trees	15,000	-	-	-	15,000
Reserved for Cleo Cowles Memorial Trust	-	-	-	13,725	13,725
Reserved for nonexpendable portion of permanent fund	-	-	-	10,000	10,000
Unreserved, undesignated, reported in nonmajor:					
Special revenue funds	-	-	-	562,597	562,597
Permanent funds	-	-	-	140,425	140,425
Capital projects funds	-	-	-	61,000	61,000
Unreserved - undesignated	463,011	215,359	30,405	-	708,775
<b>Total fund balances</b>	<u>495,229</u>	<u>215,359</u>	<u>30,405</u>	<u>787,747</u>	<u>1,528,740</u>
<b>Total liabilities and fund balances</b>	<u>\$ 540,758</u>	<u>\$ 229,889</u>	<u>\$ 74,603</u>	<u>\$ 847,000</u>	<u>\$ 1,692,250</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF CEDAR SPRINGS

## RECONCILIATION OF THE FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2006

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Fund balances- total governmental funds	\$ 1,528,740
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds.

Add- land	319,443
Add- construction in progress	327,825
Add- capital assets net of depreciation	2,524,758

Certain liabilities, such as bond payable, are not due and payable in the  
current period and therefore are not reported in the funds.

Deduct- bonds payable	(2,329,308)
Deduct- accrued interest	(24,951)
Deduct- compensated absences	(27,268)

Internal service funds are used by management to charge the costs of certain activities, such  
as insurance and other centralized costs, to individual funds. The assets and liabilities of the  
internal service fund are included in governmental activities

Add- Internal service fund net assets	321,216
Deduct- Capital assets accounted for in the internal service fund, net of accumulated depreciation	(119,114)

Certain assets, such as special assessments receivable are not due and receivable in the  
current period and therefore are offset with deferred revenue in the fund statements

Add- deferred revenue for special assessments	<u>101,046</u>
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Net assets of governmental activities	<u><u>\$ 2,622,387</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>General</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues</b>					
Taxes	\$ 1,003,905	\$ -	\$ -	\$ 98,151	\$ 1,102,056
Special assessments	-	-	15,724	3,115	18,839
Licenses and permits	14,869	-	-	-	14,869
Intergovernmental revenue:					
Federal	62,325	213,308	-	-	275,633
State	307,618	-	-	199,822	507,440
Local	-	-	-	43,042	43,042
Charges for services	72,522	-	-	5,975	78,497
Fines and forfeits	9,623	-	-	-	9,623
Interest revenue	61,621	637	338	30,175	92,771
Rentals	9,476	-	-	-	9,476
Other	73,721	-	-	41,510	115,231
<b>Total revenues</b>	<b>1,615,680</b>	<b>213,945</b>	<b>16,062</b>	<b>421,790</b>	<b>2,267,477</b>
<b>Expenditures</b>					
Current:					
General government	446,408	-	146,000	-	592,408
Public safety	717,005	-	-	-	717,005
Public works	45,904	402,444	-	132,750	581,098
Highways and streets	-	-	-	114,586	114,586
Recreation and cultural	33,775	-	-	127,006	160,781
Other expenditures	206,060	-	-	-	206,060
Debt service:					
Principal	6,452	-	50,000	-	56,452
Interest and fiscal charges	267	-	91,397	-	91,664
<b>Total expenditures</b>	<b>1,455,871</b>	<b>402,444</b>	<b>287,397</b>	<b>374,342</b>	<b>2,520,054</b>
Revenues over (under) expenditures	159,809	(188,499)	(271,335)	47,448	(252,577)
<b>Other financing sources (uses)</b>					
Transfers in	-	329,239	131,000	86,739	546,978
Transfers (out)	(156,685)	(85,174)	-	(241,024)	(482,883)
Proceeds from installment purchase agreement	-	-	146,000	-	146,000
<b>Total other financing sources (uses)</b>	<b>(156,685)</b>	<b>244,065</b>	<b>277,000</b>	<b>(154,285)</b>	<b>210,095</b>
Net change in fund balances	3,124	55,566	5,665	(106,837)	(42,482)
Fund balances, beginning of year	492,105	159,793	24,740	894,584	1,571,222
<b>Fund balances, end of year</b>	<b>\$ 495,229</b>	<b>\$ 215,359</b>	<b>\$ 30,405</b>	<b>\$ 787,747</b>	<b>\$ 1,528,740</b>

The accompanying notes are an integral part of these financial statements.



# CITY OF CEDAR SPRINGS

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

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Net change in fund balances - total governmental funds	\$ (42,482)
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	636,138
Deduct - depreciation expense	(103,996)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - proceeds from issuance of long-term debt	(146,000)
Add - principal payments on long-term debt	56,452

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) of the fund attributable to those funds is reported with governmental activities.

Add - net income from internal service fund	12,110
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Special assessments receivable are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statements.

Add - increase in special assessment	50,918
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest	(2,244)
Add - decrease in the accrual for compensated absences	3,856

Change in net assets of governmental activities	<u><u>\$ 464,752</u></u>
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The accompanying notes are an integral part of these financial statements.

# CITY OF CEDAR SPRINGS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

**FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Taxes	\$ 988,154	\$ 988,154	\$ 1,003,905	\$ 15,751
Licenses and permits	25,000	25,000	14,869	(10,131)
Intergovernmental revenue:				
Federal	-	62,325	62,325	-
State	311,500	311,500	307,618	(3,882)
Charges for services	62,500	60,500	72,522	12,022
Fines and forfeits	12,000	12,000	9,623	(2,377)
Interest revenue	20,000	39,000	61,621	22,621
Rentals	15,500	10,051	9,476	(575)
Other	22,800	26,951	73,721	46,770
<b>Total revenues</b>	<u>1,457,454</u>	<u>1,535,481</u>	<u>1,615,680</u>	<u>80,199</u>
<b>Expenditures</b>				
Current:				
General government	401,840	480,131	446,408	(33,723)
Public safety	680,983	744,583	717,005	(27,578)
Public works	57,250	56,450	45,904	(10,546)
Highways and streets	114,586	-	-	-
Recreation and cultural	34,900	38,900	33,775	(5,125)
Other expenditures	227,500	236,300	206,060	(30,240)
Debt service:				
Principal	6,452	6,452	6,452	-
Interest and fiscal charges	268	268	267	(1)
<b>Total expenditures</b>	<u>1,523,779</u>	<u>1,563,084</u>	<u>1,455,871</u>	<u>(107,213)</u>
Revenues over (under) expenditures	(66,325)	(27,603)	159,809	187,412
Other financing sources (uses)				
Transfers (out)	<u>(171,000)</u>	<u>(156,685)</u>	<u>(156,685)</u>	<u>-</u>
Net change in fund balance	(237,325)	(184,288)	3,124	187,412
Fund balances, beginning of year	<u>492,105</u>	<u>492,105</u>	<u>492,105</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 254,780</u>	<u>\$ 307,817</u>	<u>\$ 495,229</u>	<u>\$ 187,412</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF CEDAR SPRINGS

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS

JUNE 30, 2006

	Business Type Activities			Governmental
	Enterprise Funds			Activities
	Sewer	Water	Total	Internal Service Fund
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 381,701	\$ 302,439	\$ 684,140	\$ 203,212
Accounts receivable	132,843	61,684	194,527	-
Prepaid expenses	1,404	2,787	4,191	578
<b>Total current assets</b>	<b>515,948</b>	<b>366,910</b>	<b>882,858</b>	<b>203,790</b>
<b>Noncurrent assets</b>				
Restricted cash and cash equivalents	200,000	60,000	260,000	-
<b>Capital assets</b>				
Land	587,634	-	587,634	-
Property, plant and equipment (net of accumulated depreciation)	7,449,175	813,435	8,262,610	119,114
<b>Total noncurrent assets</b>	<b>8,236,809</b>	<b>873,435</b>	<b>9,110,244</b>	<b>119,114</b>
<b>Total assets</b>	<b>8,752,757</b>	<b>1,240,345</b>	<b>9,993,102</b>	<b>322,904</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	8,594	8,216	16,810	1,688
Accrued interest	49,230	10,800	60,030	-
Current maturity of bond payable	51,000	25,000	76,000	-
<b>Total current liabilities</b>	<b>108,824</b>	<b>44,016</b>	<b>152,840</b>	<b>1,688</b>
Long-term liabilities				
Long-term debt - net of current portion	3,231,000	650,000	3,881,000	-
<b>Total liabilities</b>	<b>3,339,824</b>	<b>694,016</b>	<b>4,033,840</b>	<b>1,688</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	4,754,809	138,435	4,893,244	119,114
Restricted for debt service	99,770	24,200	123,970	-
Unrestricted	558,354	383,694	942,048	202,102
<b>Total net assets</b>	<b>\$ 5,412,933</b>	<b>\$ 546,329</b>	<b>\$ 5,959,262</b>	<b>\$ 321,216</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES**

**AND CHANGES IN FUND NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Business-Type Activities</b>			<b>Governmental Activities</b>
	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>Operating revenues</b>				
Charges for services	\$ 714,776	\$ 318,781	\$ 1,033,557	\$ 115,334
<b>Operating expenses</b>				
Personnel services	80,460	100,994	181,454	23,971
Benefits	20,333	35,322	55,655	10,280
Professional and contractual services	128,425	44,626	173,051	638
Materials and supplies	10,034	25,155	35,189	11,149
Telephone	3,671	-	3,671	-
Utilities	88,072	14,204	102,276	195
Insurance and bonds	10,578	2,039	12,617	3,868
Repairs and maintenance	69,393	26,771	96,164	10,612
Rent	-	3,000	3,000	5,000
Equipment rental	6,501	15,672	22,173	-
Depreciation	126,718	28,005	154,723	42,378
Miscellaneous	1,793	2,645	4,438	236
<b>Total operating expenses</b>	<b>545,978</b>	<b>298,433</b>	<b>844,411</b>	<b>108,327</b>
Operating income	168,798	20,348	189,146	7,007
<b>Nonoperating revenues (expenses)</b>				
Interest revenue	19,480	12,515	31,995	5,103
Interest expense	(148,470)	(32,900)	(181,370)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(128,990)</b>	<b>(20,385)</b>	<b>(149,375)</b>	<b>5,103</b>
Income before transfers	39,808	(37)	39,771	12,110
Transfers in	14,689	16,966	31,655	-
Transfers out	(65,500)	(30,250)	(95,750)	-
Change in net assets	(11,003)	(13,321)	(24,324)	12,110
Net assets, beginning of year	5,423,936	559,650	5,983,586	309,106
<b>Net assets, end of year</b>	<b>\$ 5,412,933</b>	<b>\$ 546,329</b>	<b>\$ 5,959,262</b>	<b>\$ 321,216</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF CEDAR SPRINGS

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Business-Type Activities</b>			<b>Governmental Activities</b>
	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 668,720	\$ 296,666	\$ 965,386	\$ -
Internal charges	-	-	-	115,334
Cash payments to suppliers for goods and services	(334,236)	(168,545)	(502,781)	(40,915)
Cash payments to employees for services	(80,460)	(100,994)	(181,454)	(23,971)
<b>Net cash provided by operating activities</b>	<b>254,024</b>	<b>27,127</b>	<b>281,151</b>	<b>50,448</b>
<b>Cash flows from non-capital financing activities</b>				
Transfers out	(65,500)	(30,250)	(95,750)	-
Transfers in	14,689	16,966	31,655	-
<b>Net cash used in non-capital and financing activities</b>	<b>(50,811)</b>	<b>(13,284)</b>	<b>(64,095)</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>				
Purchase of property, plant and equipment	(22,450)	-	(22,450)	(15,293)
Principal paid on long-term debt	(49,000)	(25,000)	(74,000)	-
Interest and fiscal charges	(148,470)	(32,900)	(181,370)	-
<b>Net cash used in capital and related financing activities</b>	<b>(219,920)</b>	<b>(57,900)</b>	<b>(277,820)</b>	<b>(15,293)</b>
<b>Cash flows from investing activities</b>				
Interest income	19,480	12,515	31,995	5,103
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,773</b>	<b>(31,542)</b>	<b>(28,769)</b>	<b>40,258</b>
Cash and cash equivalents, beginning of year	378,928	333,981	712,909	162,954
<b>Cash and cash equivalents, end of year</b>	<b>\$ 381,701</b>	<b>\$ 302,439</b>	<b>\$ 684,140</b>	<b>\$ 203,212</b>
<b>Cash flows from operating activities</b>				
Operating income	\$ 168,798	\$ 20,348	\$ 189,146	\$ 7,007
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	126,718	28,005	154,723	42,378
Changes in operating assets and liabilities which provided (used) cash:				
Accounts receivable	(46,056)	(20,747)	(66,803)	-
Prepaid expenses	433	29	462	768
Accounts payable and accrued expenses	6,536	1,192	7,728	771
Accrued interest	(1,425)	(400)	(1,825)	-
<b>Net cash provided by operating activities</b>	<b>\$ 255,004</b>	<b>\$ 28,427</b>	<b>\$ 283,431</b>	<b>\$ 50,924</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF CEDAR SPRINGS

## FIDUCIARY FUND STATEMENT OF NET ASSETS

JUNE 30, 2006

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	<b>Agency Fund</b>
	<hr/>
<b>Assets</b>	
Due from other governments	\$ 13,033
	<hr/>
<b>Liabilities</b>	
Cash and cash equivalents (overdraft)	\$ 9,422
Accounts payable	3,611
	<hr/>
Total liabilities	\$ 13,033
	<hr/>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Cedar Springs (the “City”) was incorporated June 30, 1954 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles. The following is a summary of the more significant policies.

***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. The City has no blended component units. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

***Discretely Presented Component Units***

Downtown Development Authority – The members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Local Development Finance Authority– The members of the governing board of the Local Development Finance Authority are appointed by the City Council. The budgets and expenditures of the Local Development Finance Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Local Development Finance Authority.

Complete financial statements for the component units are not separately prepared.

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.



**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the delinquent real property taxes are paid by the City to other units of government and the County is responsible for collecting any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for the financial resources and activities relating to that specific construction project.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal, interest, and related costs on long-term debt of governmental funds. The City maintains one Debt Service Fund.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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The City reports the following major proprietary funds:

*Sewer Fund* – This fund is used to account for the cost of collecting and treating wastewater. Revenues are chiefly from service charges to customers. These revenues are also used to pay principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

*Water Fund* – The cost of providing water services to City residents is accounted for by this fund. Revenues are primarily from charges to customers for water usage. These revenues are used to pay operating costs and principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

Additionally, the City reports the following fund types:

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

The *Capital Improvements Capital Projects Fund* is used to account for the financial resources and activities relating to that specific construction project.

The *Internal Service Fund* is used to record the financing of goods or services by the City to other departments and funds or to other governmental units on a cost reimbursement basis. The City maintains one Internal Service Fund which is the Motor Vehicle Equipment Fund.

The *Permanent Fund* is used to record the activity of legal trusts for which the interest on the corpus provides funds for City cemetery operations.

The *Agency Fund* is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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***Budgets and Budgetary Accounting***

Budgets are adopted for general and special revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Agency Funds.
5. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2006. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
6. Budgets for expenditures are adopted at the functional level.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash and temporary investments.

***Investments***

Investments are stated at fair value.

***Receivables***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

***Deferred Revenue***

The City reports deferred revenue when cash receipts do not meet both the “measurable” and “available” criteria for recognition in the current period.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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***Prepaid Items***

The City incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the City records an asset to reflect the investment in future services.

***Restricted Assets***

Certain resources set aside for the repayment of the City's enterprise fund revenue bonds, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) of the primary government is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	25
Buildings	25 - 30
Office furniture and equipment	5 - 20
Vehicles	3 - 10
Public domain infrastructure	50
System infrastructure	30

***Long-term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Property Taxes***

City property taxes are attached as an enforceable lien on property as of July 1st. Taxes are levied July 1 and are due without penalty on or before September 14. These summer tax bills include the City's own property taxes and taxes billed on behalf of other districts within the City limits. Real property taxes not collected are returned to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

***Compensated Absences***

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts.

Vacation leave earned as of June 30, 2006, is recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

***Special Assessments***

Special assessments in governmental funds are recorded as revenues when due, not when levied. Estimated annual installments not yet available are reflected as deferred revenue.

***Interfund Transactions***

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies, advances, or equity contributions are determined by the City.

***Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**2. DEPOSITS AND INVESTMENTS**

The captions on the government-wide and fund statements relating to cash and cash equivalents and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Agency Fund</u>	<u>Total</u>
<b>Deposits:</b>				
Cash and cash equivalents	\$2,358,928	\$331,070	\$ (9,422)	\$2,680,576
Restricted cash and cash equivalents	260,000	-	-	260,000
<b>Total cash and cash equivalents</b>	<b><u>\$2,618,928</u></b>	<b><u>\$331,070</u></b>	<b><u>\$ (9,422)</u></b>	<b><u>\$2,949,998</u></b>

The carrying amount of deposits at June 30, 2006, consisted of \$527,498 of cash deposits and \$2,422,500 of certificates of deposit all of which mature within one year.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$2,814,122 of the City's bank balance of \$3,014,122 was exposed to custodial credit risk because it was uninsured and uncollateralized.

These deposits are in two (2) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. Deposits are recorded in City records at fair value.

The City does not hold any investments at June 30, 2006.

***Statutory Authority***

Act 217, PA 1982, authorizes the City to deposit and invest in:

- a. Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**3. CAPITAL ASSETS**

Changes in capital assets for the year ending June 30, 2006, are as follows:

	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance June 30, 2006</b>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 153,614	\$ 165,829	\$ -	\$ 319,443
Construction in progress	-	327,825	-	327,825
	<u>153,614</u>	<u>493,654</u>	<u>-</u>	<u>647,268</u>
Capital assets, being depreciated:				
Infrastructure	2,302,124	50,367	-	2,352,491
Buildings and improvements	400,786	-	-	400,786
Vehicles and equipment	886,907	107,410	-	994,317
	<u>3,589,817</u>	<u>157,777</u>	<u>-</u>	<u>3,747,594</u>
Less accumulated depreciation for				
Infrastructure	106,412	58,812	-	165,224
Buildings	320,805	4,401	-	325,206
Vehicles and equipment	649,245	83,161	-	732,406
	<u>1,076,462</u>	<u>146,374</u>	<u>-</u>	<u>1,222,836</u>
Net capital assets, being depreciated	<u><b>2,513,355</b></u>	<u><b>111,403</b></u>	<u><b>-</b></u>	<u><b>2,524,758</b></u>
<b>Net governmental activities capital assets</b>	<u><b>\$ 2,666,969</b></u>	<u><b>\$ 505,057</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 3,172,026</b></u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 587,634	\$ -	\$ -	\$ 587,634
Capital assets being depreciated:				
Water system	1,276,689	-	-	1,276,689
Sewer system	8,681,688	22,450	-	8,704,138
Accumulated depreciation – water	(435,251)	(28,005)	-	(463,256)
Accumulated depreciation – sewer	(1,128,243)	(126,718)	-	(1,254,961)
	<u>8,394,883</u>	<u>(132,273)</u>	<u>-</u>	<u>8,262,610</u>
Net capital assets, being depreciated	<u>8,394,883</u>	<u>(132,273)</u>	<u>-</u>	<u>8,262,610</u>
<b>Net business-type activities capital assets</b>	<u><b>\$ 8,982,517</b></u>	<u><b>\$(132,273)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 8,850,244</b></u>
<b>Downtown Development Authority Component unit</b>				
Land	<u>\$ 35,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,901</u>

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 4,401
Public safety	40,783
Public works	29,406
Highways and streets	29,406
Internal service fund assets	<u>42,378</u>

Total depreciation expense – governmental activities	<u>\$146,374</u>
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**Business-type activities:**

Sewer	\$126,718
Water	<u>28,005</u>

Total depreciation expense – business type activities	<u>\$154,723</u>
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**4. INTERFUND PAYABLES, RECEIVABLES, AND TRANSFERS**

The composition of transfers for the year ended June 30, 2006, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General fund	\$ -	\$156,685
Capital projects	329,239	85,174
Nonmajor governmental funds	217,739	241,024
Business-type activities:		
Sewer	14,689	65,500
Water	<u>16,966</u>	<u>30,250</u>
<b>Total</b>	<u><b>\$578,633</b></u>	<u><b>\$578,633</b></u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund and other funds to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

Interfund receivables/payables consist of the following at year-end:

	<u>Due to</u>	<u>Due from</u>
General fund	\$1,345	\$ -
Debt service	<u>-</u>	<u>1,345</u>
	<u>\$1,345</u>	<u>\$1,345</u>



**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**5. DEFINED BENEFIT PENSION PLAN**

***Municipal Employees Retirement System of Michigan***

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the current rate is 5% of annual covered payroll. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adoption by the City.

For the year ended June 30, 2006 the City's annual pension cost for MERS of \$36,326 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment of 20% of the difference between assumed earnings and market value (5 year seniority) to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest actuarial valuation, was 30 years.

**Three-Year Trend Information**

<u><b>Year Ended</b></u>	<u><b>Annual Pension Cost (APC)</b></u>	<u><b>Percentage of APC Contributed</b></u>	<u><b>Net Pension Obligation</b></u>
2004	\$24,812	100%	\$ -
2005	29,797	100%	-
2006	36,326	100%	-

**Schedule of Funding Progress**

<u><b>Actuarial Valuation Date</b></u>	<u><b>Actuarial Value of Assets (a)</b></u>	<u><b>Actuarial Accrued Liability (AAL) Entry Age (b)</b></u>	<u><b>Unfunded AAL (UAAL) (b-a)</b></u>	<u><b>Funded Ratio Total</b></u>	<u><b>Covered Payroll (c)</b></u>	<u><b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b></u>
12/31/03	\$1,701,253	\$1,831,688	\$130,435	93%	\$483,093	27%
12/31/04	1,769,929	1,956,449	186,520	90%	621,733	30%
12/31/05	1,846,914	2,203,755	356,841	84%	663,877	54%

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**6. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held in trust for employees and the related assets and liabilities are not included in this report.

**7. LONG-TERM DEBT**

During fiscal year 2006, the Special Assessment Bonds and General Obligation Limited Tax Street Improvement Bonds were redeemed by the City. The debt schedule is updated to the new amortization schedule. The following is a summary of debt transactions of the City for the year ended June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
General Obligation Debt:					
\$460,000 Special Assessment Bonds and \$325,000 General Obligation Limited Tax Street Improvement Bonds, Series 1997. Bonds due in annual installments of \$20,000 to \$45,000 through October 1, 2011 due to redemption; interest at 5-7%.	\$ 260,000	\$ -	\$35,000	\$ 225,000	\$35,000
\$1,985,000 General Obligation Improvement Bonds, Series 2003. Bonds due in annual installments of \$5,000 to \$210,000 through April 1, 2023; interest at 2 – 4.4%.	1,970,000	-	15,000	1,955,000	45,000
\$25,000 Installment Purchase Agreement due in annual installments of \$2,951 to \$8,853 through August 26, 2006; interest at 4.8%.	9,760	-	6,452	3,308	3,308
\$146,000 Installment Purchase Agreement due in annual installments of \$13,353 through December 14, 2020; interest at 4.42%.	-	146,000	-	146,000	7,162
<b>Total general obligation debt</b>	<b>2,239,760</b>	<b>146,000</b>	<b>56,452</b>	<b>2,329,308</b>	<b>90,470</b>
Compensated absences	31,124	-	3,856	27,268	-
<b>Total governmental activities</b>	<b>\$ 2,270,884</b>	<b>\$ 146,000</b>	<b>\$60,308</b>	<b>\$2,356,576</b>	<b>\$90,470</b>

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>					
\$3,000,000 Sanitary Sewer System Construction Revenue Bonds, Series 1996A. Bonds due in annual installments of \$28,000 to \$158,000 through March 1, 2037 interest at 4.5%.	\$2,739,000	\$ -	\$40,000	\$2,699,000	\$42,000
\$650,000 Sanitary Sewer System Revenue Bonds, Series 1996B. Bonds due in annual installments of \$6,000 to \$33,000 through March 1, 2037; interest at 4.5%.	592,000	-	9,000	583,000	9,000
\$750,000 Water Supply System Revenue Bonds, Series 2002. Bonds due in annual installments of \$25,000 to \$60,000 through September 1, 2022; interest at 4.5-4.8%.	700,000	-	25,000	675,000	25,000
<b>Total business-type activities</b>	<b><u>\$4,031,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$74,000</u></b>	<b><u>\$3,957,000</u></b>	<b><u>\$76,000</u></b>
<b>Downtown Development Authority Component Unit</b>					
\$450,000 General Obligation Limited Tax Streetscape Development Bonds, Series 1997. Bonds due in annual installments of \$25,000 to \$70,000 through April 1, 2006; interest at 4.0-4.7%.	<b><u>\$ 70,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$70,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

The annual requirements, excluding compensated absences, to maturity on the total long-term obligations outstanding at June 30, 2006 are as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2007	\$ 90,470	\$ 94,552	\$ 76,000	\$ 180,090
2008	92,466	91,320	82,000	176,596
2009	107,783	87,753	86,000	172,816
2010	118,113	83,523	87,000	168,856
2011	123,457	78,816	91,000	164,850
2012-2016	562,975	329,079	530,000	756,588
2017-2021	829,044	198,679	661,000	623,344
2022-2026	405,000	27,060	651,000	463,852
2027-2031	-	-	669,000	323,374
2032-2036	-	-	833,000	158,720
2037	-	-	191,000	8,597
	<b><u>\$2,329,308</u></b>	<b><u>\$990,782</u></b>	<b><u>\$3,957,000</u></b>	<b><u>\$ 3,197,682</u></b>

For the governmental activities, accrued employee benefits are generally liquidated by the general fund.

**8. CONTINGENCIES**

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

The City also has a pending gain contingency involving water and sewer receivables that were under-billed several years ago. The issue is still in the court system. Management estimates the actual gain to be \$100,000.

**9. CLEO COWLES TRUST**

The Library benefits from a trust established by Cleo Cowles. The Library has no control over the principal of this trust and is entitled only to the income to be used for general operation of the Library Special Revenue Fund. This trust is administered by the City and has a principal balance of \$13,725 (at cost).

**10. CONSTRUCTION IN PROGRESS / SUBSEQUENT EVENT**

The City has received a federal financial assistance award, passed through the State of Michigan Department of Transportation, in the form of two grants totaling approximately \$480,000. The funding is for improvements on East Muskegon and Pine Streets. The project was not complete as of June 30, 2006 and therefore is recorded in the financial statements as "construction in progress" at year-end. When the construction is complete, the entire asset will be transferred out of construction in progress and the City will begin recording depreciation expense on the improvements.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**11. PRIOR PERIOD ADJUSTMENT**

The beginning net assets of the Downtown Development Authority component unit were decreased by \$35,901 to remove land from the fund statement and report it as a government-wide adjusting entry.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

## **GENERAL FUND**

# CITY OF CEDAR SPRINGS

## GENERAL FUND

### DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>General government</b>				
Legislative - City Council				
Salaries and wages	\$ 7,300	\$ 7,900	\$ 7,900	\$ -
Conventions	4,500	4,500	3,497	(1,003)
Miscellaneous	1,000	1,000	777	(223)
<b>Total legislative - city council</b>	<b>12,800</b>	<b>13,400</b>	<b>12,174</b>	<b>(1,226)</b>
<b>City manager</b>				
Salaries and wages	28,050	28,050	28,871	821
Travel and conferences	3,700	3,700	2,513	(1,187)
Transportation	5,000	5,000	4,832	(168)
Miscellaneous	9,500	9,500	2,295	(7,205)
<b>Total city manager</b>	<b>46,250</b>	<b>46,250</b>	<b>38,511</b>	<b>(7,739)</b>
<b>Elections</b>				
Salaries and wages	2,000	2,000	632	(1,368)
Operating supplies	1,200	1,870	1,275	(595)
Professional services	700	700	493	(207)
Printing and publishing	400	400	322	(78)
<b>Total elections</b>	<b>4,300</b>	<b>4,970</b>	<b>2,722</b>	<b>(2,248)</b>
<b>Independent audit/accounting</b>				
Auditing services	5,200	7,820	7,705	(115)
<b>Assessor</b>				
Salaries and wages	15,500	15,500	15,058	(442)
Operating supplies	700	700	727	27
<b>Total assessor</b>	<b>16,200</b>	<b>16,200</b>	<b>15,785</b>	<b>(415)</b>
<b>City attorney</b>				
Professional services	35,000	35,000	31,902	(3,098)

(Continued)



# CITY OF CEDAR SPRINGS

## GENERAL FUND

### DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>General government (continued)</b>				
<b>Deputy clerk</b>				
Salaries and wages	\$ 40,650	\$ 40,650	\$ 37,835	\$ (2,815)
Travel and conferences	800	800	397	(403)
Printing and publishing	4,200	4,200	3,954	(246)
Capital outlay	3,700	3,700	2,440	(1,260)
Miscellaneous	400	400	225	(175)
<b>Total deputy clerk</b>	<b>49,750</b>	<b>49,750</b>	<b>44,851</b>	<b>(4,899)</b>
<b>Board of review</b>				
Salaries and wages	800	800	750	(50)
Miscellaneous	400	400	341	(59)
<b>Total board of review</b>	<b>1,200</b>	<b>1,200</b>	<b>1,091</b>	<b>(109)</b>
<b>General administration</b>				
Salaries and wages	38,850	39,850	39,756	(94)
Office supplies	15,000	16,000	15,257	(743)
Printing and publishing	1,500	1,700	1,666	(34)
Telephone	9,000	9,000	9,617	617
Travel and conferences	2,000	2,000	1,407	(593)
Insurance and bonds	38,000	38,000	36,018	(1,982)
Professional services	-	18,000	18,038	38
Miscellaneous	5,500	5,575	2,337	(3,238)
<b>Total general administration</b>	<b>109,850</b>	<b>130,125</b>	<b>124,096</b>	<b>6,029</b>
<b>City hall and grounds</b>				
Salaries and wages	2,500	2,500	2,855	355
Utilities	17,500	23,000	18,172	(4,828)
Repairs and maintenance	11,000	11,000	3,462	(7,538)
Equipment rental	-	150	171	21
Capital outlay	5,000	35,000	38,039	3,039
Miscellaneous	11,200	11,200	9,518	(1,682)
<b>Total city hall and grounds</b>	<b>47,200</b>	<b>82,850</b>	<b>72,217</b>	<b>(10,633)</b>

(Continued)

# CITY OF CEDAR SPRINGS

## GENERAL FUND

### DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>General government (continued)</b>				
Cemetery				
Salaries and wages	\$ 15,400	\$ 18,400	\$ 17,062	\$ (1,338)
Operating supplies	500	500	896	396
Utilities	200	200	53	(147)
Professional expenses	3,590	4,390	4,390	-
Repairs and maintenance	500	500	135	(365)
Equipment rental	23,500	28,500	32,451	3,951
<b>Total cemetery</b>	<b>43,690</b>	<b>52,490</b>	<b>54,987</b>	<b>2,497</b>
<b>Community promotion</b>				
Salaries and wages	4,100	4,100	5,336	1,236
Professional services	3,000	3,000	573	(2,427)
Operating supplies	7,500	7,500	6,573	(927)
Utilities	500	500	148	(352)
Equipment rental	4,000	4,000	8,413	4,413
Capital outlay	3,500	13,176	11,921	(1,255)
Miscellaneous	7,800	7,800	7,403	(397)
<b>Total community promotion</b>	<b>30,400</b>	<b>40,076</b>	<b>40,367</b>	<b>291</b>
<b>Total general government</b>	<b>401,840</b>	<b>480,131</b>	<b>446,408</b>	<b>(21,665)</b>
<b>Public safety</b>				
Police department				
Salaries and wages	362,440	362,440	359,576	(2,864)
Office supplies	-	1,000	1,931	931
Operating supplies	4,000	4,000	5,510	1,510
Clothing and laundry	5,000	5,000	5,234	234
Repairs and maintenance	17,500	17,500	18,505	1,005
Professional services	18,000	18,000	22,383	4,383
Telephone	1,500	1,500	1,522	22
Education and training	4,900	4,900	680	(4,220)
Radio and dispatch	47,000	47,000	43,192	(3,808)
Gasoline and oil	14,000	14,000	15,856	1,856
Capital outlay	40,000	39,800	37,224	(2,576)
Miscellaneous	3,600	3,600	2,756	(844)
<b>Total police department</b>	<b>517,940</b>	<b>518,740</b>	<b>514,369</b>	<b>(4,371)</b>

(Continued)

# CITY OF CEDAR SPRINGS

## GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Public safety (continued)</b>				
<b>Fire department</b>				
Salaries and wages	\$ 52,705	\$ 52,705	\$ 52,732	\$ 27
Office supplies	1,750	2,225	2,225	-
Operating supplies	2,000	2,000	742	(1,258)
Clothing and laundry	2,000	2,000	1,864	(136)
Repairs and maintenance	4,700	4,700	3,400	(1,300)
Professional services	6,750	6,750	5,965	(785)
Telephone	1,300	1,300	1,385	85
Utilities	5,900	5,900	7,641	1,741
Education and training	2,000	2,000	1,878	(122)
Hydrant rental	10,000	10,000	10,000	-
Capital outlay	25,688	88,013	80,809	(7,204)
Miscellaneous	3,200	3,200	2,547	(653)
<b>Total fire department</b>	<b>117,993</b>	<b>180,793</b>	<b>171,188</b>	<b>(9,605)</b>
<b>Building inspection</b>				
Salaries and wages	5,300	5,300	5,854	554
Professional services	22,500	22,500	13,315	(9,185)
<b>Total building inspection</b>	<b>27,800</b>	<b>27,800</b>	<b>19,169</b>	<b>(8,631)</b>
<b>Planning commission</b>				
Professional and contractual services	14,000	14,000	9,920	(4,080)
Printing and publishing	2,250	2,250	1,899	(351)
Miscellaneous	1,000	1,000	460	(540)
<b>Total planning commission</b>	<b>17,250</b>	<b>17,250</b>	<b>12,279</b>	<b>(4,971)</b>
<b>Total public safety</b>	<b>680,983</b>	<b>744,583</b>	<b>717,005</b>	<b>(27,578)</b>
<b>Public works</b>				
Street lighting				
Electric	31,000	33,000	32,347	653
<b>Other public works</b>				
Salaries and wages	10,000	10,000	3,585	(6,415)
Professional services	2,500	500	1,598	1,098
Electric	1,000	1,000	844	(156)
Equipment rental	10,000	10,000	6,208	(3,792)
Capital outlay	2,000	-	-	-
Miscellaneous	750	1,950	1,322	(628)
<b>Total other public works</b>	<b>26,250</b>	<b>23,450</b>	<b>13,557</b>	<b>(9,893)</b>
<b>Total public works</b>	<b>57,250</b>	<b>56,450</b>	<b>45,904</b>	<b>(10,546)</b>

(Continued)

# CITY OF CEDAR SPRINGS

## GENERAL FUND

### DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Recreation and cultural</b>				
<b>Parks and recreation</b>				
Salaries and wages	\$ 8,000	\$ 10,000	\$ 10,352	\$ 352
Operating supplies	800	800	321	(479)
Utilities	1,000	1,000	985	(15)
Repairs and maintenance	15,100	17,100	12,298	(4,802)
Miscellaneous	10,000	10,000	9,819	(181)
<b>Total recreation and cultural</b>	34,900	38,900	33,775	(5,125)
<b>Debt service</b>				
Principal	6,452	6,452	6,452	-
Interest	268	268	267	(1)
<b>Total debt service</b>	6,720	6,720	6,719	(1)
<b>Other expenditures</b>				
Employee benefits	145,000	140,200	122,794	(17,406)
Information technology	14,500	14,500	10,707	(3,793)
Pension	27,000	33,300	26,033	(7,267)
Social security	41,000	48,300	46,526	(1,774)
<b>Total other expenditures</b>	227,500	236,300	206,060	(30,240)
<b>Total expenditures</b>	1,409,193	1,563,084	1,455,871	107,213
<b>Other financing sources</b>				
Transfers out	171,000	156,685	156,685	-
<b>Total expenditures and other financing sources</b>	\$ 1,580,193	\$ 1,719,769	\$ 1,612,556	\$ 107,213

(Concluded)

## **NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF CEDAR SPRINGS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

**JUNE 30, 2006**

	Special Revenue					Federal Community Development
	Major Street	Local Street	Refuse Pickup & Disposal	Library	Sidewalk	
<b>Assets</b>						
Cash and cash equivalents	\$ 153,768	\$ 267,929	\$ 20,830	\$ 75,991	\$ 38,286	\$ -
Special assessments receivable	-	-	-	-	56,848	-
Prepaid items	1,818	230	102	1,066	-	-
Due from other funds	-	-	-	-	-	-
Due from other governmental units	11,374	4,386	-	2,947	-	-
<b>Total assets</b>	<u>\$ 166,960</u>	<u>\$ 272,545</u>	<u>\$ 20,932</u>	<u>\$ 80,004</u>	<u>\$ 95,134</u>	<u>\$ -</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 1,579	\$ 530	\$ 179	\$ 117	\$ -	\$ -
Deferred revenue	-	-	-	-	56,848	-
<b>Total liabilities</b>	<u>1,579</u>	<u>530</u>	<u>179</u>	<u>117</u>	<u>56,848</u>	<u>-</u>
<b>Fund balances</b>						
Reserved - Cleo Cowles Memorial Trust	-	-	-	13,725	-	-
Reserved - perpetual care	-	-	-	-	-	-
Unreserved - undesignated	165,381	272,015	20,753	66,162	38,286	-
<b>Total fund balances</b>	<u>165,381</u>	<u>272,015</u>	<u>20,753</u>	<u>79,887</u>	<u>38,286</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 166,960</u>	<u>\$ 272,545</u>	<u>\$ 20,932</u>	<u>\$ 80,004</u>	<u>\$ 95,134</u>	<u>\$ -</u>

<b>Capital Projects</b>	<b>Permanent</b>	
<b>Capital Improvements</b>	<b>Cemetery Trust</b>	<b>Total</b>
\$ 61,000	\$ 150,425	\$ 768,229
-	-	56,848
-	-	3,216
-	-	-
-	-	18,707
<u>\$ 61,000</u>	<u>\$ 150,425</u>	<u>\$ 847,000</u>

\$ -	\$ -	\$ 2,405
-	-	56,848
-	-	59,253
-	-	13,725
-	10,000	10,000
61,000	140,425	764,022
61,000	150,425	787,747
<u>\$ 61,000</u>	<u>\$ 150,425</u>	<u>\$ 847,000</u>

**CITY OF CEDAR SPRINGS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Special Revenue					Federal Community Development
	Major Street	Local Street	Refuse Pickup & Disposal	Library	Sidewalk	
Revenues						
Taxes	\$ -	\$ -	\$ 38,682	\$ 59,469	\$ -	\$ -
Intergovernmental revenue:						
State	140,169	54,049	-	5,604	-	-
Local	-	-	-	43,042	-	-
Special assessments	-	-	-	-	3,115	-
Charges for services	-	-	-	-	-	-
Other	-	-	1,935	38,865	-	710
Interest	8,458	10,046	869	2,611	362	2,204
<b>Total revenues</b>	<b>148,627</b>	<b>64,095</b>	<b>41,486</b>	<b>149,591</b>	<b>3,477</b>	<b>2,914</b>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public works	-	-	36,194	-	-	91,560
Highways and streets	74,577	40,009	-	-	-	-
Recreation and cultural	-	-	-	127,006	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total expenditures</b>	<b>74,577</b>	<b>40,009</b>	<b>36,194</b>	<b>127,006</b>	<b>-</b>	<b>91,560</b>
Revenues over (under) expenditures	74,050	24,086	5,292	22,585	3,477	(88,646)
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	25,739	-
Transfers (out)	(175,285)	(40,000)	-	-	-	-
Proceeds from issuance of long-term debt	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(175,285)</b>	<b>(40,000)</b>	<b>-</b>	<b>-</b>	<b>25,739</b>	<b>-</b>
Net change in fund balances	(101,235)	(15,914)	5,292	22,585	29,216	(88,646)
Fund balances, beginning of year	266,616	287,929	15,461	57,302	9,070	88,646
<b>Fund balances, end of year</b>	<b>\$ 165,381</b>	<b>\$ 272,015</b>	<b>\$ 20,753</b>	<b>\$ 79,887</b>	<b>\$ 38,286</b>	<b>\$ -</b>



Capital Projects	Permanent	
Capital Improvements	Cemetery Trust	Total
\$ -	\$ -	\$ 98,151
-	-	199,822
-	-	43,042
-	-	3,115
-	5,975	5,975
-	-	41,510
629	4,996	30,175
629	10,971	421,790
-	-	-
-	4,996	132,750
-	-	114,586
-	-	127,006
-	-	-
-	-	-
-	4,996	374,342
629	5,975	47,448
61,000	-	86,739
(25,739)	-	(241,024)
-	-	-
35,261	-	(154,285)
35,890	5,975	(106,837)
25,110	144,450	894,584
\$ 61,000	\$ 150,425	\$ 787,747

# CITY OF CEDAR SPRINGS

## MAJOR STREET FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Intergovernmental revenue:				
State	\$ 150,000	\$ 134,000	\$ 140,169	\$ 6,169
Interest	2,000	8,000	8,458	458
<b>Total revenues</b>	<u>152,000</u>	<u>142,000</u>	<u>148,627</u>	<u>6,627</u>
<b>Expenditures</b>				
Highways and streets:				
Routine maintenance	28,400	31,700	29,174	(2,526)
Traffic service	10,500	11,900	5,576	(6,324)
Winter maintenance	26,900	28,400	25,996	(2,404)
Administrative	19,900	16,800	13,831	(2,969)
<b>Total expenditures</b>	<u>85,700</u>	<u>88,800</u>	<u>74,577</u>	<u>(14,223)</u>
Revenues over expenditures	66,300	53,200	74,050	20,850
<b>Other financing sources (uses)</b>				
Transfers (out)	(198,942)	(198,942)	(175,285)	23,657
Net change in fund balance	(132,642)	(145,742)	(101,235)	44,507
Fund balance, beginning of year	<u>266,616</u>	<u>266,616</u>	<u>266,616</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 133,974</u>	<u>\$ 120,874</u>	<u>\$ 165,381</u>	<u>\$ 44,507</u>

# CITY OF CEDAR SPRINGS

## LOCAL STREET FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Intergovernmental revenue:				
State	\$ 58,000	\$ 52,000	\$ 54,049	\$ 2,049
Interest	<u>2,500</u>	<u>5,000</u>	<u>10,046</u>	<u>5,046</u>
Total revenues	<u>60,500</u>	<u>57,000</u>	<u>64,095</u>	<u>7,095</u>
Expenditures				
Highways and streets:				
Routine maintenance	34,500	36,900	16,284	(20,616)
Traffic service	4,300	4,600	1,241	(3,359)
Winter maintenance	15,500	16,300	14,325	(1,975)
Administrative	<u>16,100</u>	<u>12,000</u>	<u>8,159</u>	<u>(3,841)</u>
Total expenditures	<u>70,400</u>	<u>69,800</u>	<u>40,009</u>	<u>(29,791)</u>
Revenues over (under) expenditures	<u>(9,900)</u>	<u>(12,800)</u>	<u>24,086</u>	<u>36,886</u>
<b>Other financing sources</b>				
Transfers out	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Net change in fund balance	(49,900)	(52,800)	(15,914)	36,886
Fund balance, beginning of year	<u>288,735</u>	<u>288,735</u>	<u>287,929</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 238,835</u></u>	<u><u>\$ 235,935</u></u>	<u><u>\$ 272,015</u></u>	<u><u>\$ 36,886</u></u>

# CITY OF CEDAR SPRINGS

## REFUSE PICKUP & DISPOSAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 38,500	\$ 38,500	\$ 38,682	\$ 182
Miscellaneous revenue	1,650	1,650	1,935	285
Interest	50	650	869	219
	<u>40,200</u>	<u>40,800</u>	<u>41,486</u>	<u>504</u>
<b>Total revenues</b>				
	<u>40,200</u>	<u>40,800</u>	<u>41,486</u>	<u>504</u>
<b>Expenditures</b>				
Public works	41,200	56,200	36,194	(20,006)
Winter maintenance	-	14,800	-	(14,800)
	<u>41,200</u>	<u>71,000</u>	<u>36,194</u>	<u>(34,806)</u>
<b>Total expenditures</b>				
	<u>41,200</u>	<u>71,000</u>	<u>36,194</u>	<u>(34,806)</u>
Net change in fund balance	(1,000)	(30,200)	5,292	35,310
Fund balance, beginning of year	15,461	15,461	15,461	-
	<u>15,461</u>	<u>15,461</u>	<u>15,461</u>	<u>-</u>
<b>Fund balance, end of year</b>				
	<u>\$ 14,461</u>	<u>\$ (14,739)</u>	<u>\$ 20,753</u>	<u>\$ 35,310</u>

# CITY OF CEDAR SPRINGS

## LIBRARY FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Revenues</b>				
Intergovernmental revenue:				
State	\$ 6,750	\$ 6,750	\$ 5,604	\$ (1,146)
Local	37,000	37,000	43,042	6,042
Property taxes	57,900	60,000	59,469	(531)
Fines	17,100	15,535	15,663	128
Other	9,500	19,800	23,202	3,402
Interest	675	675	2,611	1,936
<b>Total revenues</b>	<b>128,925</b>	<b>139,760</b>	<b>149,591</b>	<b>9,831</b>
<b>Expenditures</b>				
Recreational and cultural:				
Salaries and wages	64,550	75,950	73,616	(2,334)
Operating supplies	24,300	14,500	15,517	1,017
Telephone	850	1,100	1,340	240
Utilities	3,600	5,000	3,899	(1,101)
Repairs and maintenance	19,700	16,700	16,473	(227)
Rent	1,600	2,600	2,400	(200)
Insurance and bonds	6,600	6,600	6,527	(73)
Membership and dues	2,650	3,805	4,751	946
Professional service	2,000	2,000	1,507	(493)
Miscellaneous	1,300	1,300	976	(324)
<b>Total expenditures</b>	<b>127,150</b>	<b>129,555</b>	<b>127,006</b>	<b>(2,549)</b>
Net change in fund balance	1,775	10,205	22,585	12,380
Fund balance, beginning of year	57,302	57,302	57,302	-
<b>Fund balance, end of year</b>	<b>\$ 59,077</b>	<b>\$ 67,507</b>	<b>\$ 79,887</b>	<b>\$ 12,380</b>

# CITY OF CEDAR SPRINGS

## SIDEWALK FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Special assessments	\$ 3,025	\$ 1,555	\$ 3,115	\$ 1,560
Interest	75	75	362	287
<b>Total revenues</b>	3,100	1,630	3,477	1,847
<b>Other financing sources</b>				
Transfers in	40,000	40,000	25,739	(14,261)
Net change in fund balances	43,100	41,630	29,216	(12,414)
Fund balance, beginning of year	9,070	9,070	9,070	-
<b>Fund balance, end of year</b>	<u>\$ 52,170</u>	<u>\$ 50,700</u>	<u>\$ 38,286</u>	<u>\$ (12,414)</u>

# CITY OF CEDAR SPRINGS

## FEDERAL COMMUNITY DEVELOPMENT SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenue</b>				
Interest	\$ -	\$ 1,600	\$ 2,204	\$ 604
Loan payments	-	600	710	110
Total revenues	-	2,200	2,914	714
<b>Expenditure</b>				
Public works	(86,800)	(90,800)	91,560	182,360
Net change in fund balances	86,800	93,000	(88,646)	(181,646)
Fund balance, beginning of year	88,646	88,646	88,646	-
<b>Fund balance, end of year</b>	<b>\$ 175,446</b>	<b>\$ 181,646</b>	<b>\$ -</b>	<b>\$ (181,646)</b>

## **COMPONENT UNITS**



# CITY OF CEDAR SPRINGS

## STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

### DOWNTOWN DEVELOPMENT AUTHORITY

**JUNE 30, 2006**

	<u>General</u>	<u>Facade Improvements</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 22,159	\$ 79,310	\$ -	\$ 101,469
Land	<u>-</u>	<u>-</u>	<u>35,901</u>	<u>35,901</u>
<b>Total assets</b>	<u><u>\$ 22,159</u></u>	<u><u>\$ 79,310</u></u>	<u><u>\$ 35,901</u></u>	<u><u>137,370</u></u>
 <b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,518	\$ -	\$ -	2,518
<b>Fund balance</b>				
Unreserved - undesignated	<u>19,641</u>	<u>79,310</u>	<u>(98,951)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 22,159</u></u>	<u><u>\$ 79,310</u></u>	<u><u>(98,951)</u></u>	<u><u>2,518</u></u>
 <b>Net assets</b>				
Invested in capital assets			35,901	35,901
Unrestricted			<u>98,951</u>	<u>98,951</u>
<b>Total net assets</b>			<u><u>\$ 134,852</u></u>	<u><u>\$ 134,852</u></u>

# CITY OF CEDAR SPRINGS

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### DOWNTOWN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Façade Improvements</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<b>Expenditures/expenses</b>				
Public works	\$ 53,378	\$ 15,290	\$ -	\$ 68,668
Debt service:				
Principal	70,000	-	(70,000)	-
Interest and fiscal charges	4,040	-	(823)	3,217
<b>Total expenditures/expenses</b>	<u>127,418</u>	<u>15,290</u>	<u>(70,823)</u>	<u>71,885</u>
<b>Program revenues</b>	<u>-</u>	<u>-</u>	<u>93,660</u>	<u>93,660</u>
<b>Net expense (revenue)</b>	<u>127,418</u>	<u>15,290</u>	<u>22,837</u>	<u>(21,775)</u>
<b>General revenues</b>				
Taxes	121,624	-	-	121,624
Interest	2,023	940	-	2,963
Contribution from primary government	-	91,560	(91,560)	-
Other revenue	-	2,100	(2,100)	-
<b>Total general revenues</b>	<u>123,647</u>	<u>94,600</u>	<u>(93,660)</u>	<u>124,587</u>
Net change in fund balance/net assets	(3,771)	79,310	(116,497)	146,362
Fund balance/net assets, beginning of year	<u>23,412</u>	<u>-</u>	<u>-</u>	<u>(11,510)</u>
Fund balance/net assets, end of year	<u><u>\$ 19,641</u></u>	<u><u>\$ 79,310</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 134,852</u></u>

# CITY OF CEDAR SPRINGS

## STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

### LOCAL DEVELOPMENT FINANCE AUTHORITY

JUNE 30, 2006

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	<b>Local Development Finance Authority</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 229,601	\$ -	\$ 229,601
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Fund balance/net assets</b>			
Unreserved - undesignated/unrestricted	229,601	-	229,601
<b>Total liabilities and fund balances/net assets</b>	<u>\$ 229,601</u>	<u>\$ -</u>	<u>\$ 229,601</u>

# CITY OF CEDAR SPRINGS

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

### LOCAL DEVELOPMENT FINANCE AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2006

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	<b>Local Development Finance Authority</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Expenditures/expenses</b>			
Public works	\$        35,296	\$              -	\$        35,296
<b>Program revenues</b>	-	-	-
<b>Net expenditures/expenses</b>	35,296	-	35,296
<b>General revenues</b>			
Taxes	35,296	-	35,296
Interest	<u>      7,861</u>	<u>              -</u>	<u>      7,861</u>
<b>Total general revenues</b>	<u>      43,157</u>	<u>              -</u>	<u>      43,157</u>
Change in net assets	7,861	-	7,861
Fund balance/net assets, beginning of year	<u>     221,740</u>	<u>              -</u>	<u>     221,740</u>
<b>Fund balance/net assets, end of year</b>	<u><u>     229,601</u></u>	<u><u>              -</u></u>	<u><u>     229,601</u></u>

## **SCHEDULE OF INDEBTEDNESS**

**CITY OF CEDAR SPRINGS**

**SCHEDULE OF INDEBTEDNESS**

**JUNE 30, 2006**

	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Primary Government Debt:</b>							
<u>General Obligation Debt</u>							
1997 Special Assessment and General Obligation Limited Tax Street Improvement Bonds	05/22/1996	\$ 785,000	5 - 7%	10/01/2006	\$ 35,000	\$ 11,250	\$ 46,250
				10/01/2007	35,000	9,500	44,500
				10/01/2008	45,000	7,750	52,750
				10/01/2009	45,000	5,500	50,500
				10/01/2010	45,000	3,250	48,250
				10/01/2011	20,000	1,000	21,000
					<u>225,000</u>	<u>38,250</u>	<u>263,250</u>
2003 General Obligation Improvement Bonds	04/17/2003	1,985,000	2 - 4.4%	04/01/2007	45,000	77,058	122,058
				04/01/2008	50,000	75,933	125,933
				04/01/2009	55,000	74,433	129,433
				04/01/2010	65,000	72,783	137,783
				04/01/2011	70,000	70,670	140,670
				04/01/2012	80,000	68,290	148,290
				04/01/2013	85,000	65,490	150,490
				04/01/2014	100,000	62,430	162,430
				04/01/2015	110,000	58,630	168,630
				04/01/2016	120,000	54,450	174,450
				04/01/2017	130,000	49,890	179,890
				04/01/2018	140,000	44,560	184,560
				04/01/2019	155,000	38,820	193,820
				04/01/2020	165,000	32,310	197,310
				04/01/2021	180,000	25,380	205,380
				04/01/2022	195,000	17,820	212,820
				04/01/2023	210,000	9,240	219,240
					<u>1,955,000</u>	<u>898,187</u>	<u>2,853,187</u>
Installment Purchase Agreement	08/26/2002	25,000	4.8%	08/26/2006	3,308	54	3,362
Installment Purchase Agreement - Land	12/15/2005	146,000	4.42%	12/14/2006	7,162	6,190	13,352
				12/14/2007	7,466	5,887	13,353
				12/14/2008	7,783	5,570	13,353
				12/14/2009	8,113	5,240	13,353
				12/14/2010	8,457	4,896	13,353
				12/14/2011	8,815	4,538	13,353
				12/14/2012	9,189	4,164	13,353
				12/14/2013	9,578	3,774	13,352
				12/14/2014	9,985	3,368	13,353
				12/14/2015	10,408	2,945	13,353
				12/14/2016	10,849	2,504	13,353
				12/14/2017	11,309	2,044	13,353
				12/14/2018	11,789	1,564	13,353
				12/14/2019	12,289	1,064	13,353
				12/14/2020	12,808	543	13,351
					<u>146,000</u>	<u>54,291</u>	<u>200,291</u>
Total General Obligation Debt					<u>2,329,308</u>	<u>990,782</u>	<u>3,320,090</u>

(Continued)

**CITY OF CEDAR SPRINGS**

**SCHEDULE OF INDEBTEDNESS (CONTINUED)**

**JUNE 30, 2006**

	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Primary Government Debt:							
<u>Enterprise Funds</u>							
1996A Sanitary Sewer System Revenue Bonds	03/04/1997	\$ 3,000,000	4.50%	03/01/2007	\$ 42,000	\$ 121,410	\$ 163,410
				03/01/2008	43,000	119,520	162,520
				03/01/2009	46,000	117,586	163,586
				03/01/2010	47,000	115,516	162,516
				03/01/2011	50,000	113,400	163,400
				03/01/2012	52,000	111,150	163,150
				03/01/2013	54,000	108,810	162,810
				03/01/2014	57,000	106,380	163,380
				03/01/2015	59,000	103,816	162,816
				03/01/2016	62,000	101,160	163,160
				03/01/2017	65,000	98,370	163,370
				03/01/2018	67,000	95,446	162,446
				03/01/2019	71,000	92,430	163,430
				03/01/2020	74,000	89,236	163,236
				03/01/2021	77,000	85,906	162,906
				03/01/2022	81,000	82,440	163,440
				03/01/2023	84,000	78,796	162,796
				03/01/2024	88,000	75,016	163,016
				03/01/2025	92,000	71,056	163,056
				03/01/2026	96,000	66,916	162,916
				03/01/2027	100,000	62,596	162,596
				03/01/2028	105,000	58,096	163,096
				03/01/2029	110,000	53,370	163,370
				03/01/2030	114,000	48,420	162,420
				03/01/2031	120,000	43,290	163,290
				03/01/2032	125,000	37,890	162,890
				03/01/2033	131,000	32,266	163,266
				03/01/2034	137,000	26,370	163,370
				03/01/2035	143,000	20,206	163,206
				03/01/2036	149,000	13,770	162,770
				03/01/2037	158,000	7,066	165,066
					<u>2,699,000</u>	<u>2,357,700</u>	<u>5,056,700</u>
1996B Sanitary Sewer System Revenue Bonds	03/04/1997	650,000	4.50%	03/01/2007	9,000	26,280	35,280
				03/01/2008	9,000	25,876	34,876
				03/01/2009	10,000	25,470	35,470
				03/01/2010	10,000	25,020	35,020
				03/01/2011	11,000	24,570	35,570
				03/01/2012	11,000	24,076	35,076
				03/01/2013	12,000	23,580	35,580
				03/01/2014	12,000	23,040	35,040
				03/01/2015	13,000	22,500	35,500
				03/01/2016	13,000	21,916	34,916
				03/01/2017	14,000	21,330	35,330
				03/01/2018	15,000	20,700	35,700
				03/01/2019	15,000	20,026	35,026
				03/01/2020	16,000	19,350	35,350
				03/01/2021	17,000	18,630	35,630
				03/01/2022	17,000	17,866	34,866
				03/01/2023	18,000	17,100	35,100
				03/01/2024	19,000	16,290	35,290
				03/01/2025	20,000	15,436	35,436
				03/01/2026	21,000	14,536	35,536
				03/01/2027	22,000	13,590	35,590
				03/01/2028	23,000	12,600	35,600
				03/01/2029	24,000	11,566	35,566
				03/01/2030	25,000	10,486	35,486

**CITY OF CEDAR SPRINGS**

**SCHEDULE OF INDEBTEDNESS (CONTINUED)**

**JUNE 30, 2006**

	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
1996B Sanitary Sewer System Revenue Bonds (Continued)	03/04/1997	\$ 650,000	4.50%	03/01/2031	\$ 26,000	\$ 9,360	\$ 35,360
				03/01/2032	27,000	8,190	35,190
				03/01/2033	28,000	6,976	34,976
				03/01/2034	30,000	5,716	35,716
				03/01/2035	31,000	4,366	35,366
				03/01/2036	32,000	2,970	34,970
				03/01/2037	33,000	1,530	34,530
					<u>583,000</u>	<u>510,942</u>	<u>1,093,942</u>
2002 Water Supply System Revenue Bonds	09/01/2002	\$ 750,000	4.5 - 4.8%	09/01/2006	25,000	32,400	57,400
				09/01/2007	30,000	31,200	61,200
				09/01/2008	30,000	29,760	59,760
				09/01/2009	30,000	28,320	58,320
				09/01/2010	30,000	26,880	56,880
				09/01/2011	35,000	25,440	60,440
				09/01/2012	35,000	23,760	58,760
				09/01/2013	35,000	22,080	57,080
				09/01/2014	40,000	20,400	60,400
				09/01/2015	40,000	18,480	58,480
				09/01/2016	40,000	16,560	56,560
				09/01/2017	45,000	14,640	59,640
				09/01/2018	45,000	12,480	57,480
				09/01/2019	50,000	10,320	60,320
				09/01/2020	50,000	7,920	57,920
				09/01/2021	55,000	5,520	60,520
				09/01/2022	60,000	2,880	62,880
					<u>675,000</u>	<u>329,040</u>	<u>1,004,040</u>
Total Enterprise Funds Bonds					<u>3,957,000</u>	<u>3,197,682</u>	<u>7,154,682</u>
<b>Total Long-Term Debt-Primary Government</b>					<u>\$ 6,286,308</u>	<u>\$ 4,188,464</u>	<u>\$10,474,772</u>



**INTERNAL CONTROL  
AND  
COMPLIANCE**



# REHMANN ROBSON

*Certified Public Accountants*

*A member of* THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

July 21, 2006

Honorable Mayor and  
Members of the City Council  
Cedar Springs, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Cedar Springs, Michigan, as of and for the year ended June 30, 2006 which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated July 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cedar Springs, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cedar Springs, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.